

INITIAL CAPABILITY REVIEW: RESULTS AND RECOMMENDATIONS GROWTH CLIENT PTY LTD

Results of an introductory review/audit of Growth Client Pty Ltd conducted (on-site on <date> and following) as a basis for corporate development and growth planning, to maximise operational performance and capital value in preparation for eventual equity ownership changes expected in the 3-5 year horizon.

The driving forces behind the overall exercise include:

- Shareholders would like to grow more quickly, in terms of revenue, profitability, and overall scale of operations, recovering from 2+ years of difficult trading;
- Ensure the organisation is self-sustaining and self-perpetuating, so <Principal A> (and possibly later <Principal B>) can eventually 'step back' from the business and/or retire;
- Maximise the firm's capital value to provide an advantageous valuation should shareholders choose to exit in the 3-5 year timeframe;
- Through success and growth, help ensure that GCPL remains an interesting, challenging and rewarding place for staff to work.

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Purpose

This discussion document results from a rapid snapshot review of day-to-day operations by an expert unfamiliar with the history of the business. It is intended to surface issues by highlighting areas of historic underinvestment (of time and/or money) and underperformance relative to similar organisations. Observations may be incorrect, issues may have been overlooked, and impressions may be wrong. Direct feedback is requested and will be fully incorporated.

The management team will consider these issues to identify the critical barriers to growth and how to address those issues and grow 'to the next level.' If the team can reach agreement on how to proceed, that agreement will form the basis of a readily actionable forward development plan. (If that process does not lead to a consensus, additional work may be necessary before any resulting plan would reasonably be effective.)

Structure of the Analysis

Our summary conclusions are drawn from observations made during a day of interviews and various (prior and subsequent) conversations (see following Detailed Feedback sections) and are broken down by critical operational dimension within each top-level business function:

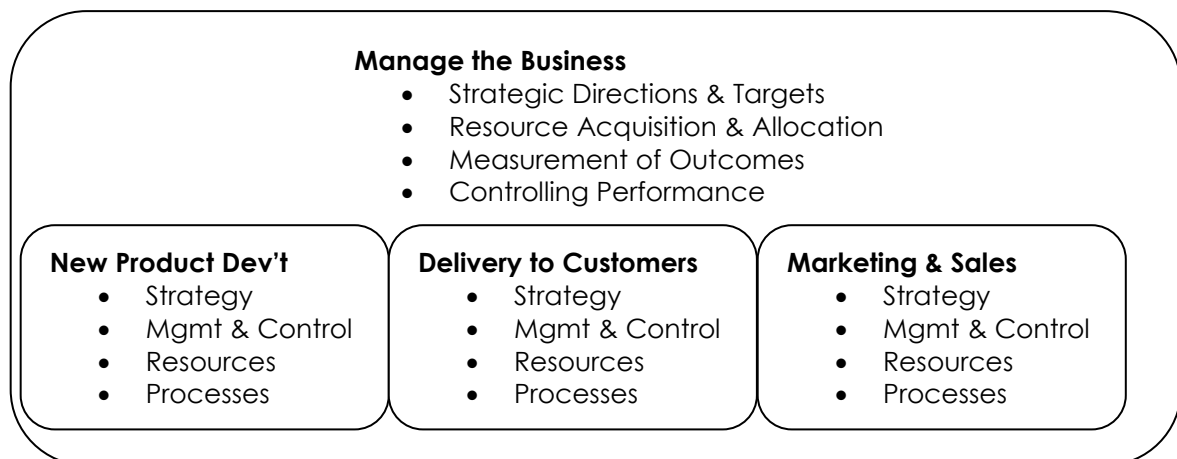
1. **New Product Development** – planning, development and full commercialisation of new products/services, as well as pro-active upgrades to existing products/services;
2. **Delivery to Customers** – delivery, implementation and ongoing support to customers;
3. **Sales & Marketing** – acquiring new customers and additional sales to existing clients;
4. **Management** – overall management and direction of operations in the other 3 areas.

Four critical performance elements were considered for each of the first 3 functions:

- **Strategy** – defining required outcomes and objectives by functional area to achieve coordinated company goals aligned to a clear strategy set by management;
- **Management & Control** – directing day-to-day actions to accomplish defined objectives, measuring the results, and managing operational costs;
- **Resources** – availability of required people, tools, information and other requirements to operate processes appropriate to the objectives of this functional area;
- **Processes** – specific defined processes by which required tasks are accomplished.

The Management function is not process-oriented (at this scale) and must be considered differently - key dimensions for this function are:

- Setting **strategic directions and targets** to drive tactical planning for each function;
- Ensuring appropriate **resources** are available to perform each function;
- **Measuring outcomes**; and
- **Controlling performance** for shareholders.



Summary Results - Overview

Assessment results are summarised in the table shown (supporting observations follow, to the extent that they can be formalised). Darker shading indicates a higher capability, while lighter areas represent opportunities for improvement:

	NPD	Delivery	S&M	Management
Strategy	1	2		
Mgt & Control		3	2	
Resources		3		
Processes		5		

(*Management* subjectively translated into comparable structure for simplicity)

This profile is not uncommon, and suggests the business has grown organically and been coordinated personally by someone who have been able to keep the critical elements in harmony on their own – ‘most of the business is in my head.’ This is an efficient way to run a very small business, but eventually becomes a barrier to growth:

- The business outgrows the principal's ability to manage it all by him/herself;
- The principal wishes to retire or otherwise step back from the business; or
- Inorganic events – the business is bought/sold or buys/merges with another business.

GCPL, has operated very successfully but is getting beyond the ability of any one person to coordinate on his own – at least to the extent that <Principal A> does now - and is already limiting further growth. There is good team in place, potentially capable of managing significantly greater throughput including hiring effectively to fill gaps as they arise.

The most successful operational elements are ‘local’ and depend on the concrete, coordinated initiatives of individuals or small groups. The least successful aspects involve coordination and control across the organisation. The business has been built ‘bottom-up’ and the need is growing to formalise the ‘top-down’ aspects of coordination and control.

While the organisation is very small, these top-down elements are less important, but as the number of staff increases, it becomes harder and harder to ensure that the whole team is moving in the same direction at the same time. It is also increasingly important to balance spending and resource allocation across people and functions that don't necessarily see or understand everything of what each other do.

There seems to be a loss of effectiveness that derive from a lack of clear, committed and confident goal, strategy and plan for the future, including:

- Working to cross purposes between functions, as the overall direction is not clear;
- Hesitating to allocate resources to growth functions as the future seems uncertain;
- Inward focus on existing customers and business rather than new customers.

Certainly, recent history and economics is responsible for some of this thinking, but the current economic conditions will likely remain for some time (or permanently) and the pace of any macro-scale improvement is likely to be slow. The problem remains: to find a way to thrive and grow (and achieve the goals you choose to set) in this climate.

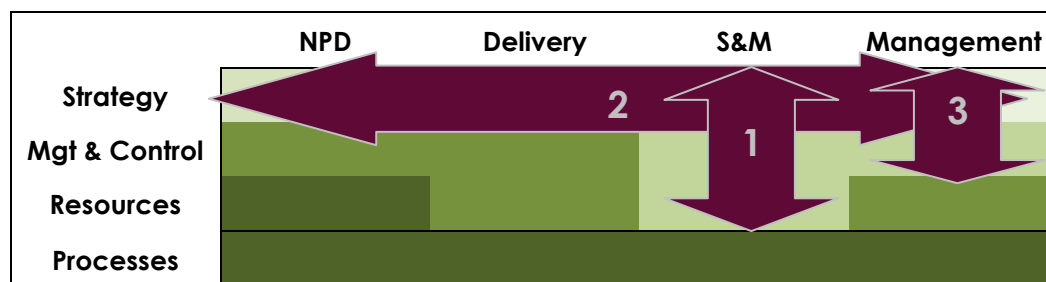
Without a strong industry-specific marketplace understanding of <Industry>, it is difficult to assess trading conditions, but we understand customers are getting more cautious, demanding, and professional. While making the job more difficult, it should also help us differentiate from ‘the rats and mice’ who have a considerable market share.

Key Specific Recommendations

The overview above suggests that the key problem areas are, in order of priority:

1. **Sales & Marketing** – sales and marketing functions appear to be poorly thought through, under-resourced, and subordinate to other areas of the business, though any growth in the business will have to come through increased sales;
2. **Strategy Across Functions** – various excellent initiatives across the business are moving in different directions and not coordinated around a strong or growing competitive advantage or market positioning and will not build on each other to improve our position in the market over time;
3. **Management** – management of the company must transition from informal, collegial cooperation to a more structured system of plans and controls if it is to support significantly broader scope of operations or changes in key personnel (or both).

Conceptually, we suggest bolstering performance in the key areas where the biggest gaps appear in current operations. As these areas overlap considerably, we recommend that efforts start in the most critical areas of overlap first, for results to filter out to multiple other functional areas as quickly as possible.



To implement this in project form, I would suggest a series of initial actions:

1. **Develop a marketing & sales strategy** for the business, based on clearly defining who our target markets and ideal clients are (and will be), our core product and service offerings, and how we will develop our approach to the market;
2. **Implement** this strategy into a **more effective marketing and selling function** with appropriate resources to increase sales, and a specific sales budget and targets;
3. Use the marketing- & sales-focused strategy to **create specific, linked plans for financial management, product development, implementation and support**, and **identify specific individuals with responsibility for implementing** and managing those plans in each area. (Note that this process may be iterative with 1, but that should not delay the work at 2, which is a clear growth priority.)

While these issues will not become clear until specific directions are chosen, it is anticipated that this process will have significant ancillary impacts:

- We should be doing considerably more, and more effective selling, particularly at the earliest stages of prospecting and lead generation, based on clearer market focus and maintaining a long-term connection with members of our target market;
- Development work will be coordinated with sales and marketing plans and will continue through to full commercialisation of new products for effective sale, as well as following an evolving forward plan which considers resource investment and the potential sales revenue from each proposed and researched product idea;

- Clear and differentiated management roles will be defined for <Principal A> and <Principal B>, as well as a view for how those roles should develop over time. <Principal B> may take on management, while <Principal A> becomes Chief Technology Officer, or <Principal A> may take responsibility for development and support while <Principal B> takes responsibility for selling and implementation functions, for instance;
- An active effort should take place to move as many responsibilities away from <Principal A> as possible – ideally all those that do not require his specialist level of technical and industry expertise – and devolve those tasks as far ‘down the org chart’ as possible;
- Other key shareholder goals, which we should surface before diving into the strategy development process to ensure that they are covered during the exercise.

Step 1: Agree Current and Target Growth Stance

The first step in clarifying a strategy across the business is for the shareholders and the management team to agree where we currently stand in respect of growth.

The recommendations above are necessary for the business, whether we feel that it's now time to consolidate our position and wait for further developments in the industry/market or if we want to move boldly now, to grasp a huge current opportunity. But the balance of investment will vary depending on the choice of whether we are focusing on selling a new product or a more mature one.

The team will need to agree on what stance is currently appropriate, in order that the overall strategic plan and each of the functional areas are moving forward with the same expectations – there is no sense spending a lot of money on development, if we do not see a lot of sales in the offing (and if the sales team is not preparing to make those sales).

There are three broad target options and the shareholders need to agree how aggressive we should be at this point in time:

1. **Watching & Waiting: Cautious Consolidation:** wait for clarity as to how industry directions will play out in the current economic climate. In the short term, we should:
 - a. focus on existing customer base – continue to reach out to new customers but our main focus will be keeping and growing presence in existing accounts;
 - b. focus on existing products and modest extensions – improve and enhance existing functionality and extend as customers require, but without major new developments or re-architecting until a new direction becomes clear;
 - c. manage the business for efficiency and profitability (not revenue growth) and extract profits for shareholders as they become available (shareholders may wish to hold some profits in reserve against a future investment requirement);
 - d. focus on listening to the market for our next key growth driver; and
 - e. prepare the business to move to ‘growth mode’ when management team agrees and shareholders are prepared to make any required investment.
2. **Market-Led: Moderate Incremental Growth:** build on existing strengths and fill in current gaps in operations and product, but hold off on a major push:
 - a. focus on existing and new customers in our traditional markets, and do not branch out into new territory at this time;
 - b. extend the product to support our current customer focus by improving and enhancing functionality, driven by the requirements of existing customers, without major new development or re-architecting;
 - c. manage the business for efficiency and profitability with some revenue growth, but without major new investment or hiring;

- d. focus on listening to the market for a new key growth driver to arise; and
 - e. prepare the business to move to 'aggressive growth mode' if management team and shareholders agree to make the required investments.
3. **Aggressive Growth: Taking New Markets:** choose a key growth area in an adjacent product/customer market and galvanise the business to attack it now:
- a. focus on finding new customers in the chosen new market as well as maintaining our existing customer base (and growing in existing markets);
 - b. define and execute necessary product development to suit our chosen target market, interacting with a few development partner clients;
 - c. manage the business for reinvestment in growth to suit our chosen target market and manage planned investment around targeted growth outcomes;
 - d. actively interact with the market to refine our approach and identify new customer targets and partners in attacking it;
 - e. coordinate the business around efficient operations to support increased throughput with existing and judiciously added new resources.

The business currently appears to have some elements of all 3 of these approaches without a real commitment to one or the other. In particular, development and sales & marketing do not seem to be operating from a single plan to coordinate their investments either in time or in direction. As a result, we do not appear to be maximising the downstream sales potential of the product development work we are choosing to take on.

One approach is to baseline the business on a very conservative footing and consider the various development options available to see if any of them proves compelling enough after a proper analysis to take on the associated risk and investment. This approach can be effective with organisations that have come to see their product development efforts as a fixed, rather than a variable cost.

Step 2: Develop a Marketing & Sales Strategy and Plan

We will need to develop a series of steps specific to GCPL, but in overview the process will be a series of structured discussions and exercises aimed at getting clear and considered agreement from all stakeholders around a few key questions and translating these into a plan to communicate to the market consistently and comprehensively.

- *Who is our ideal client, and what attributes make them ideal for us?*
- *Who are our competitors (including 'nothing') and what are our advantages over them?*
- *Do our customers share organisation memberships with each other?*
- *What information, topics, issues or things interest our customers?*
- *Are there small requests we can get prospects to make of us?*
- *Have our customers taken small educational steps before buying?*
- *Why might prospects want to contact us directly?*
- *What sorts of clients should/would we turn down potential work from?*
- *Are there natural partner products in the marketplace that customers use with our products?*
- *Do our customers share media or do other things together?*
- *How do our customers like to be communicated with – events?*
- *Can we attract interested parties into conversations or to self-identify?*
- *Are there particular ideas, issues or facts that catch our customers' eye?*
- *What media is effective to communicate with our customers?*

- *Can we solicit referrals effectively from customers or others?*
- *Do buyers progress through standard stages before buying from us?*
- *What are our customers afraid of, when, and why?*
- *Can we get our customers to sell us to others?*

This understanding of who our customers and prospects are will allow us to construct a multi-stage marketing process which can operate to build and maintain an ongoing presence within our target market, and translate that presence into leads. At a high level, that process will look roughly like this:

1. Capture relationships with viable targets within the target market and get their permission to market to them periodically through various channels;
2. Maintain target market relationships and educate with periodic interesting content to tempt them self-identifying with a relevant interest in our products and services;
3. Follow up self-identifying contacts to assess interest and qualify as sales prospects;
4. Use our expert resources to sell patiently to all qualified sales prospects.

The extent to which processes 1, 2, and possibly 3 can be done with low-cost non-expert resources will largely govern the cost-efficiency of the process, while the skill with which we can capture the market's attention in these stages, and convert prospects through process 4 will govern our effectiveness.

Obviously, considerably more effort and complexity will be required to implement this in the real world than simply to write these high-level headings here, and significant expense will be required both to implement and operate this system, but if GCPL is to grow, it will need to be selling considerably more products and services than it is now.



Detailed Feedback 1: New Product Development

In summary, the software development process seems to be the most effective and high-prioritised part of the business. While it seems effective at what it does, the way product development choices are made suggests longer-term coordination would be worthwhile.

An overall strategic plan would ensure that development is more closely tied to sales, so that we develop exclusively those products (and, potentially, services) that will have the biggest impact on revenues. It seems highly likely that this could support either a significant increase in revenue or a reduced software development budget (or both).

Strategy

NPD appears to be focused largely on software development, which following three themes:

- customer-requested changes and upgrades (mostly charged for)
- product extensions suiting existing customers or prospects
- new technologies (often building on <Platform> platform developments)

There does not appear to be an overall strategic direction for the product suite either in terms of an overall functionality target, market segment coverage or growth, or formal consideration of potential professional services or managed service components to the product/service mix. There also does not appear to be a long-range coordination plan, though the thinking about possible developments includes significantly more than 1 year's work at any given time.

There does not appear to be a formal register or record of possible product development options, or any enduring assessment of why different options were prioritised over others, and it is unclear if options which do not proceed are later revisited.

There does not appear to be much up-front consideration of how new products will be marketed, sold, or supported until late in the development cycle, and these issues do not appear to have a key role in selection between projects.

Project work seems to be selected largely by consensus among the management team, but little supporting research or planning seems to be conducted before a decision is made (ie costings, planning, marketing or sales plans). Decisions appear to be made largely based on instinct, which seems, however, to have been fairly successful to date.

Management & Control

There appear to be a significant number of development priorities on the go at once, though it is not clear how many are still 'strategic options' or ideas, and how many are actively under development.

The job number and ticket number system seems to be used both for support and development. This may lead to a large number of different jobs for the development/support people to split their time between, and make operational management difficult, particularly where large and small projects are mixed and share the same staff. Most development staff have multiple roles as developers, support staff and on-site trainers in one capacity or another, or related to a specific client or module.

It was suggested that some projects are initiated in response to sales' perceptions of prospective clients' requirements and prototype or actual development is rushed for pre-sales purposes – though those sales efforts may never bear fruit.

It is also not clear how priorities are balanced between paid developments for customers and internally-driven product development; though it appears that customer paid development takes simple priority.

Roughly <percentage>% of the organisation is nominally dedicated to development, and appears to have been for the life of the company/software. No plans were discussed to

ramp this either up or down in the future, either in response to plans or changes in circumstances. This appears to be the raison d'être for the organisation.

Several major projects were suggested as 'the next cab off the rank,' including: <product development idea>; <product development idea>; <product development idea>; <product development idea>; <product development idea>; <product development idea>.

Resources

No concerns were expressed about the quality or quantity of development staff in the organisation or their cost.

There is generally a shortage of good <platform> expertise in the marketplace, and while this was not specifically mentioned, it would be expected to be an issue of the business were to expand the software development side of the business.

The <Platform> platform seems to be effective as a basis for the <Software> software, though the development team seems to be exploiting its current scope fairly completely and keenly considering other compatible technologies.

Processes

Latter stages of development seem to be neglected and there is little formal testing or documentation process. While testing 'seems to work ok,' some documentation was suggested as having been allowed to get out of date and much of it is not managed as closely as it could be.

Few significant concerns were expressed about the development process itself, though this was not explored in detail.

	NPD
Strategy	1/5
Mgt & Control	3/5
Resources	5/5
Processes	5/5

Detailed Feedback 2: Delivery to Customers

Delivery appears to comprise 3 key components:

- Implementation of new software and subsequent upgrades and related training;
- Support, including telephone support, bug and upgrade notes, and ongoing training;
- Managed services related to SaaS offerings;
- Bespoke development services.

The SaaS exercise is relatively new, and appears to be still in its formative stages relative to the other solutions on offer. Implementation and support services relate to both the various modules of <Software> and the <Software> software.

Strategy

There does not appear to be a strategic perspective to customer delivery, but it appears to function as 'the meat in the sandwich' between sales and development.

Managed services are a recent addition to the mix and seem to be driven in part by the industry moving to this new technology and also by the desire for annuity revenue and potentially to attack smaller customers than is economic for <Software>. The overall strategy for this move does not appear to be clearly articulated or agreed among the team.

It is not clear how feedback from customer delivery is used to feed into forward development plans for software or services.

Bespoke development allows customers (generally larger ones) direct forward development, as the result of their projects will subsequently be rolled out to other customers, though often considerably later and/or with configuration switches to turn functionality on or off.

Management & Control

Control seems to be relatively effective, though based on personal capabilities rather than a considered approach to managing the process. Various staff have particular specific skills (eg <staff member> or <Principal A> can handle the <Module>, while <staff member> or <Principal B> can handle the <Module>, and <staff member> handles <software>). Customer work is scheduled around these capabilities in response to sale and travel schedules (particularly for <staff member> on-site).

It is not clear who has ultimate responsibility for delivery issues – who's 'head would roll' if an implementation went awry or a support issue was badly botched?

Responsibility was not discussed for the SaaS/managed services offerings, though these seem to be a key object of <Principal B>'s focus.

Resources

While there are separate resources for Implementation, key areas are still handled by members of the development team, including both implementation and training tasks. Support functions similarly overlap the development team.

It was not possible to assess interference between functions, particularly contention between development and support requirements with shared resources.

There were no complaints about the available equipment (desktops, servers, laptops, etc).

A small amount of server equipment - <equipment detail> – operates from the offices, but it is not clear how carefully they are maintained, backed up, etc.

<Staff member> is relatively new in the implementations area and appears to be taking on the tasks very effectively, though her role may not be very clearly differentiated from <staff member>'s. It is possible that these roles may not have been very carefully specified, and the two are doing a good job of integrating and working together on their own.

Processes

It is not clear if repeated or high-frequency support issues are effectively channelled into software or training development to reduce their incidence.

The capture of allocated and billable effort is through a timesheet system which requires <Principal A>'s personal review for billing, and to ensure that customer billing is complete, correct and acceptable. There is considerable risk of under-billing for time invested.

The document management system is applied only to limited parts of the documentation suite (particularly customer documentation) and other critical documentation (eg software documentation and internal or training material) is not as carefully managed.

	Delivery
Strategy	2/5
Mgt & Control	3/5
Resources	3/5
Processes	5/5

Detailed Feedback 3: Sales & Marketing

The sales area seems to include new customer acquisition in its entirety, but has less of a focus on developing or up-selling existing customers. Various approaches seem to have been tried at various times in history and as a result, this area appears to have a chequered history, though its value seems to be clear to all.

Strategy

There does not appear to be a strategic perspective to our selling process or methodology, or to interacting with the market in general. Our approach to the marketplace seems to be campaign-focused, with individual campaigns aimed at generating leads and sales, but without a clear and ongoing exercise in grooming the market. As a result, each campaign seems to start from the same base, without building on subsequent work to build a following or readership in the industry.

Everyone seems to understand generally who the target market is, but their understandings may conflict in some more detailed elements. This suggests that the subject has never really been explored by the team, and has not been used as the basis for planning in this area.

Marketing appears to operate on two sales pathways: convincing target market members that they need a system to replace manual operations or another software platform; and identifying customers who are actively seeking a new system and ensure we are in consideration for that contract. It is not clear which pathway gets the greater focus.

<Competitor> is clearly the benchmark competitor, being the largest domestic player in this market, as well as a company we have good operational intelligence about. They are believed to have some <number> relevant customers. It is not clear specifically how we sell against them.

Paper-based systems are also believed to be a considerable competitor, in that many of our potential customers do not have any form of system at this point. Most of these targets are believed to be at the smaller end of the scale and disinclined to buy a larger solution.

Management & Control

Sales seems largely dis-integrated from the rest of the organisation – <staff member> does not regularly attend <identifier> operations meetings, for example.

There does not appear to be a clear forward plan for sales which could drive the marketing of newly-developed software or services to the customer base and/or market when products become available.

It is not clear how the S&M area would get access to investment, or what the decision criteria for spending in this area would be. It seems likely that a campaign is judged on the basis of the work that it brings in directly, without consideration for building long-term value, branding, or re-useability of collateral or connections.

It is not clear who has made the decisions about hiring a junior in this area or re-starting the <supplier> process, or how these decisions might change in future.

Resources

<Staff member> seems to spend a considerable amount of time on the road doing training, and there may be an opportunity conduct more marketing-related activities when in opportune locations. It is not clear if this is being taken advantage of now.

There may still be issues or resentment about the CRM system (<system> or <system>), and use of the database appears to be largely confined to <staff member>, which minimises the added value the team might get from using it.

It is not clear if <system> (or <system>) are implemented very comprehensively or specifically to GCPL, rather than just as an out-of-the-box solution. It is also not clear how much benefit might be available from improving this.

The marketing database was not examined in detail, but is estimated to include in the neighbourhood of <number> contacts from roughly <number> companies and be targeted at a market that might include roughly <number> potential targets. The database coverage is believed to be good, but not excellent, and the currency of some contacts is questionable.

There seemed to be general acceptance that having a junior sales staff some years ago worked well, but he has not been replaced.

Similarly, there seemed to be general acceptance that the <supplier> service was useful, though it was very dependent on the specific <function> staff employed, and changes in staff required considerable re-training each time. This service has also not been resumed, though the market is believed to be recovering to the extent that more marketing could be effective again.

The web site has recently been updated and looks very slick and polished, with a strong and attractive design.

There is a very slick and professionally produced corporate video available, though it seems to be a sort of background piece and lack a 'call to action' for the viewer. This is not available through the downloads section, but is a separate tab ("Videos") which seems to imply that there is more content available.

The downloads section of the web site provides access to a series of brochures, which do not appear to have been professionally produced. Some of the internal graphics as well as the page layout and overall design have not reproduced very well for these brochures, and some of the graphic details (ie footers) are not entirely consistent across the suite.

Membership of the website seems problematic – the confirmation email arrived after 30 minutes, and it is not clear what the purpose of membership might be, though the site hints at notifications, news or product announcements. Logging in took me to the home page, with a "community builder" blurb at the bottom, but no actual community material. Possibly this functionality should be suppressed if it is not being used.

There are some typos and other issues with text on the web site (eg "imperical" on the Support page) and there are some broken links (eg "<label>" on the About Us page, some of the brochure download links on "<label>") - it could use a thorough proof-reading and checking over.

There is no mention of the <software> product suite on the web site, and it is not clear how this is to be sold or supported in this country, though we do appear on www.<supplier>.com, where it says that "<reference>." This reference mentions starting in <year>, but "<comment>."

Googling "<keywords>" does not bring up anything related to GCPL.

There does not appear to be a specific process for tracking competitors, nor a formal knowledge base about them.

Processes

Core marketing processes are: prospecting via cold calls; referrals from customers or partners; and trade shows.

The primary means for prospecting are cold calls into the existing prospect base (held in <system>) and new contacts as they are discovered. This does not appear to be a

systematic exercise or to be controlled on a regular schedule or to a specific plan, but the team does seem confident in their ability to generate outcomes.

It is not clear what initiates a specific campaign, or if these are coordinated with software releases, lulls in work, industry events or otherwise, or who is involved in the decision-making process. It would appear that sales collateral is not created as a part of product commercialisation, but as a part of a specific sales campaign, and the material is neither widely circulated nor carefully vetted before it is used. This material does not appear to be reused repeatedly, other than a few specific high-ticket items (eg <collateral item>).

Sales are generally ad hoc but appear to be quite effective when an opportunity is discovered. While we did not get a measure of the conversion rate, a guess of 50% was suggested. Lead generation appears to be the core issue, with a distinct lack of confidence that we are aware of all opportunities that become available.

	S&M
Strategy	1/5
Mgt & Control	2/5
Resources	2/5
Processes	4/5

Detailed Feedback 4: Management

For our purposes, the management function includes everything outside of the other 3 core functions and has 4 critical dimensions as defined earlier.

In larger organisations with multiple layers of management, many of these functions must be proceduralised to support the coordination or standardisation of larger management teams. For organisations of less than 50-100 staff it makes more sense to analyse these functions directly, rather than using the process-oriented structure shown above.

Strategic Directions and Targets

There does not appear to be a clear strategy agreed among the team, though all seem to have an excellent grasp of the market, products and the position of the company. Decision-making seems to be either implicit or largely left to <Principal A> based on his seniority and experience.

New directions appear to either be driven by individual inspiration among the team, or by customer/prospect requirements which the team wants to further capitalise on. These initiatives do not seem to be shaped into formal projects until (and unless) they become software development exercises, and those may not be fully carried through to commercialisation following product development.

There does not appear to be a mechanism to formally allocate resources to researching potential new directions, doing concrete analysis, budgeting, expectation-setting, prioritising, or rejecting/deferring ideas either permanently or until resources are available.

The overall course appears to be a combination of several overlapping directions: continuity of the company's history; recovery from several difficult years; technology-driven continuing development of the product suite(s); technology- or product-driven approaches to new markets. This may reflect a period of exploration before a clear strategic direction is chosen, or may reflect a lack of strategic-level decision-making.

While it is difficult to assess this quickly, the company may be taking on too many new directions at once and lack the bandwidth to take them all through to commercial fruition at the same time.

There does not appear to be any strategic direction of sales & marketing or customer delivery functions, or of the <software> product line, as strategy seems to be focused entirely on the <software> products.

Resource Management

The overall level of resources appears to be quite good, both in quality and quantity. There seem to be good people and appropriate good tools in place. No one complained of major or chronic resource constraints, though expectations seemed considerably higher in product development areas than in customer delivery, and lower still in sales and marketing.

We did not discuss how resource allocation or acquisition decisions are made directly, though this may be a critical issue.

The organisation structure (and chart) seems to reflect a fairly informal, collegial and flat approach to managing the team, which seems to operate fairly effectively, but is unlikely to continue to suit the organisation if it grows significantly.

There do not appear to be any actual 'managers', as a very high value is placed on 'do-ing' possibly to the exclusion of managing. This is considerably less true of <Principal A> and <Principal B>, though both are very focused on customer contact and directly productive functions rather than managing the team itself.

<Principal A> nominally has only 2 reports (<Principal B> and <staff member>), but all team members appear to look to him for guidance as well as day-to-day decision-making in most

aspects of their roles (I did not talk to <staff member> – no doubt a special case). <Principal B> on the other hand is nominally the direct supervisor for everyone else except <staff member> (who reports to him through <staff member>). This seems to suggest a lack of clarity between <Principal A> and <Principal B>'s respective roles.

The development team each report independently to <Principal B>, rather than being managed by <staff member>, and each seem to share other roles in addition to development, including support, implementation, training, and management of specific modules.

It is difficult to assess quickly, but there may be a lack of experience or manpower specifically oriented to marketing and management of customer support.

Human resources management, including documentation etc, appear to be adequate for compliance but not managed pro-actively. It is not clear if this may pose a risk.

Considerable employee entitlements may have been allowed to accumulate, which have not been managed back down, with a possibly significant liability looming.

Company infrastructure did not appear to be an issue in that the hardware, software, office space, utilities and other requirements seemed more than adequately catered for. Some deficiencies were mentioned, however:

- document management for internal documentation and things other than customer-specific distribution documents;
- source code management (this was not assessed);
- CRM information – contention between <system> and <system> CRM preferences;
- collateral and other product commercialisation elements;
- testing facilities or processes for new software.

It is not clear how company infrastructure needs like these would be identified, actioned, decided on and implemented by the team.

Much of the company's infrastructure has been implemented to support product development, which has been very successful, but development seems to be continuing at the same pace. Possibly the infrastructure has developed a momentum of its own and continues to propel the company down the same path, rather than transitioning into a selling infrastructure and direction. Possibly a more concerted effort to build sales infrastructure would change this course to a more profitable, growth path.

Protections for intellectual property, trademarks, patents and similar have been sought only for two product names ("<name>" and "<name>"). It is not clear if this poses a real risk.

Outside resources, including partners, suppliers, alliances, and channels do not seem to have been considered pro-actively, and our distributorship of the <software> product for <purpose> seems to have been opportunistic (driven by a customer requirement) and lacks a concerted focus or direction. It is not clear if other distributorships have been considered. Other agreements are in place with <platform supplier> and one other company (for <purpose> software).

It is not clear if distribution channels in other markets (eg overseas) have been considered or might be appropriate.

Some consideration is being given to a partnership or alliance with <company>, also prompted by the need to meet a potential customer requirement, and discussions with <company>, which may present a strong growth opportunity.

Measurement of Outcomes

Accounts are purportedly in good shape and up to date, and are managed within our own software. These do not appear to be used on an everyday basis to manage performance,

however, and it is not clear that a concrete set of reports or numbers are generated or reviewed periodically at all.

Budgeting is done on an annual cycle in April or May, but do not seem to be relied on either for strategic planning or operational management, and the process does not seem to be haven undertaken this year.

There does not appear to be a culture or infrastructure of measurement, not least because formal goals and targets are not generally set. This seems to be another legacy of being managed as a very small operation, which will need to change if (and as) the business is to grow 'to the next level.'

Performance Control

Management of the team seems to be direct, personal and informal, and while it seems to have been quite effective, the lack of a strong, clear growth agenda and targets does not seem to have allowed aggressive performance expectations.

Capital management has served the business well, in that it has passed through a very difficult time successfully. There is currently a full 100k overdraft in use, but the business appears to be back on course to be generating profits after a few years without.

	Delivery
Strategic Directions & Targets	1/5
Performance Control	2/5
Measurement of Outcomes	3/5
Resource Management	4/5